



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/1/2006

GAIN Report Number: RS6011

Russian Federation

Cotton and Products

Annual

2006

Approved by:

Allan Mustard
American Embassy, Moscow

Prepared by:

Kimberly Svec and Yelena Vassilieva

Report Highlights:

Russian cotton consumption has stabilized at 310,000 - 320,000 metric tons annually. Cotton fabric production is increasingly concentrated in vertically integrated facilities or in joint ventures with foreign suppliers.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Moscow [RS1]
[RS]

Table of Contents

Executive Summary	3
Production	3
Table 1. Cotton Supply and Demand, Metric Tons and Hectares	3
Consumption.....	3
Trends in Textile Production	4
Table 2. Structure of Fabrics Production in the Russian Federation in CY 1995-2004	4
Table 3. Cotton Fabrics Production, Marketing Years, Million Square Meters	4
Trade in Cotton	5
Table 4. Trade Matrix, Cotton Imports, 1,000 Metric Tons	6
Tariffs.....	6
Prices.....	6
Table 5. Prices Table.....	6
Trade in Cotton Yarn and Cotton Fabrics.....	7
Table 6. Imports of Cotton and Products, Market Years, 1,000 U.S. Dollars	8
Table 7. Imports of Cotton and Products, Market Years, Metric Tons and 1,000 Square Meters.....	8
Stocks	9
Policy	9

Executive Summary

Russia does not produce cotton, and all demand is met through imports. Changes in cotton imports and consumption from last year are minimal, and the Asian republics of the former Soviet Union and Azerbaijan remain the primary suppliers. All trade is in the hands of private companies, consisting primarily of joint ventures with Asian suppliers. These companies are market oriented, and cotton processing and the production of fabrics depends on the market price of fabrics, and competition with imported fabrics and textile. The number of cotton processing factories decreased, and there is no longer regional concentration of the cotton industry, as was the case in Soviet times. In MY 2005/06 cotton imports are expected to increase by 3 percent, and this increase will be reflected in slightly increased domestic production of cotton fabrics. In MY 2006/07, there are no significant changes in the forecast for cotton imports and consumption.

Production

There is no domestic cotton production in Russia. Attempts to renew cotton production in the southern part of the country were discontinued and all domestic demand is filled by imported cotton.

Table 1. Cotton Supply and Demand, Metric Tons and Hectares

PSD Table						
Country	Russian Federation					
Commodity	Cotton				(HECTARES)(MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2004		08/2005		08/2006
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	42892	42892	48335	46835	48335	48335
Production	0	0	0	0	0	0
Imports	315704	315703	326590	326590	0	325500
MY Imp. from U.S.	0	0	0	0	0	0
TOTAL SUPPLY	358596	358595	374925	373425	48335	373835
Exports	0	1500	0	1600	0	1800
USE Dom. Consumption	310260	310260	326590	323490	0	323700
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	310260	310260	326590	323490	0	323700
Ending Stocks	48335	46835	48335	48335	0	48335
TOTAL DISTRIBUTION	358595	358595	374925	373425	0	373835

Consumption

There is no official data on domestic cotton consumption. However, official customs data are more accurate now than before, and give better indications of real cotton imports, and can be used as indicator of domestic cotton consumption. Another factor for cotton consumption estimates is the domestic production of cotton fabrics. Production decreased by 8 percent in MY 2004, but is expected to recover by 6 percent in MY 2005 due to a possible increase in

domestic demand for cotton fabrics, largely due to increasing Russian incomes. In late February 2006, Russia tightened customs control over "shuttle border trade" in consumer goods. This may result in a temporary decrease in unofficial imports of clothes and fabrics from China, Turkey and other countries, and may stimulate domestic production of fabrics and domestic cotton consumption. In MY 2005, cotton consumption is estimated at 323,490 metric tons, and is expected to remain level in MY 2006.

Trends in Textile Production

Cotton fabrics still constitute more than eighty percent of all fabric production in Russia, but the production of cotton fabrics fell slightly in 2005. Production of thinner and lighter fabrics and mixed fabrics that contain more than fifty percent cotton is increasing, while the production of thick cotton fabrics is decreasing due to the high cost of imported cotton and the increasing use of new technologies to mix cotton with linen and other fibers. Cotton fabric production is concentrated in factories belonging to joint-venture companies with participation of cotton traders or with companies that produce high quality cotton and mixed fabrics on a tolling basis.

Table 2. Structure of Fabrics Production in the Russian Federation in CY 1995-2004

	2000	2001	2002	2003	2004	2005
In million M2						
All fabrics	2,323	2,614	2,847	2,889	2,792	2,738
including						
- cotton	1,820	2,085	2,326	2,358	2,252	2,238
- linen and hempen	115	124	138	157	159	122
- woolen	54	56	50	44	36	31
- silk	177	171	148	144	137	124
- other	158	177	185	186	208	223
As a percent of all fabrics						
All fabrics	100	100	100	100	100	100
including						
- cotton	78.3	79.8	81.7	81.6	80.7	81.7
- linen and hempen	4.9	4.7	4.8	5.4	5.7	4.5
- woolen	2.3	2.2	1.8	1.5	1.3	1.1
- silk	7.6	6.5	5.2	5.0	4.9	4.5
- other	6.8	6.8	6.5	6.4	7.5	8.1

Source: State Statistical Committee of the Russian Federation
Numbers may not add due to rounding.

Table 3. Cotton Fabrics Production, Marketing Years, Million Square Meters

	08/95	08/96	08/97	08/98	08/99	08/00	08/01	08/02	08/03	08/04	08/05
Aug.	123	90	90	76	113	147	186	187	202	158	192
Sept.	121	85	95	61	123	152	181	195	212	191	208
Oct.	125	100	105	47	123	166	207	213	217	199	211

Nov.	120	95	110	43	138	168	207	197	199	201	204
Dec.	109	95	110	64	155	171	201	202	212	202	214
Jan.	88	85	107	59	139	160	190	183	176	156	173*
Feb.	100	100	145	83	165	163	199	193	194	177	185*
Mar.	78	115	142	109	171	155	211	210	217	193	197*
Apr.	81	100	139	105	155	150	223	211	195	190	194*
May	75	85	85	77	122	152	167	166	158	159	160*
Jun.	85	85	98	101	140	168	169	188	183	173	176*
Jul.	80	70	79	75	124	155	173	169	178	161	167*
Total MY	1,185	1,105	1,305	899	1,668	1,907	2,314	2312	2341	2,160	2,282*

Source: State Statistical Committee of the Russian Federation

* Post Estimate

Estimates for the period January through July 2005 are made by Post as a 5-year monthly average. In MY 2005, production of cotton fabrics is forecast to increase to 2,282 million square meters.

Trade in Cotton

Customs monthly import data that are the basis for MY estimates are available only up to September 2005. During August – September 2005, Russia imported 35 percent more cotton than during the same period in 2004; however, significant breakthroughs in imports are not expected and total MY 2005 imports are estimated to be only 3 percent higher than in MY 2004. Any significant increase in imports of cotton in the near future does not seem realistic, as market-savvy owners of cotton plants in the former specialized textile regions of Russia, such as Ivanovo and Vladimir oblasts, are either selling their facilities to non-textile producers (often because of bankruptcy) or replacing cotton with cheaper flax or other fibers. The official 2005 calendar year data on annual imports of cotton (HS number 5201) indicates that cotton imports will slightly increase in MY 2005. The total CY imports of cotton (HS number 5201) are 309,900 metric tons worth US\$ 268.7 million. The calculated imports of this type of cotton in August – December 2005 are 138,800 metric tons worth US\$ 126.0 million, that is 2.3 percent and 7.5 percent higher than in the same period last year.

Accuracy of official customs data has improved, and undeclared shipments of cotton into Russia are far less than the estimated 10-15 percent in the previous cotton annual reports. Role of barter trade decreased, although tolling schemes still remain popular. Most cotton imported on tolling schemes is reflected in the customs data as cotton actually shipped into Russia.

Uzbekistan remains the main supplier of cotton to Russia, but its share continues to decrease due to reasons described in the last year's annual cotton report.

The Asian republics of the Former Soviet Union and Azerbaijan still provide more than eighty percent of all imported cotton (estimates may vary from 80 to 85 percent depending on the share of undeclared trade with these countries), although imports of cotton from other sources have been increasing over the last three years. These shipments are price and freight rate dependent. No cotton imports from the United States were reported in MY 2004,

and Post does not forecast any significant cotton import from the United States in the near future.

Russia does not usually export cotton, but in MY 2003 Russian cotton exports to Latvia, Ukraine and Belarus reached 1,500 metric tons. These are re-exports of cotton when cotton-textile holding companies readjust cotton supply to their factories, including to factories that are located outside Russia. The data in MY 2003 PSD column were changed to reflect these exports.

Table 4. Trade Matrix, Cotton Imports, 1,000 Metric Tons

Import Trade Matrix			
Country	Russian Federation		
Commodity	Cotton		
Time Period	Aug/Jul	Units:	Metric Tons
Imports for:	2004		2005
U.S.		U.S.	
Others		Others	
Uzbekistan	114505	Uzbekistan	115500
Kazakhstan	59488	Kazakhstan	60000
Tajikistan	44413	Tajikistan	45000
Kyrgyzstan	40490	Kyrgyzstan	40500
Azerbaijan	29920	Azerbaijan	32000
Turkmenistan	16632	Turkmenistan	17000
Mali	5546	Mali	5600
Turkey	1350	Turkey	1500
Nigeria	590		
Brazil	561		
Total for Others	313495		317100
Others not Listed	2208		9490
Grand Total	315703		326590

Tariffs

All raw cotton (HS numbers 5201, 5202 and 5203) is imported duty free. The import tariff for cotton sewing thread and cotton yarn (HS numbers 5204, 5205, 5206 and 5207) is five percent of customs value. Import tariffs for cotton fabrics (HS numbers 5208, 5209, 5210, 5211, 5212) is 15 percent of customs value. As before, imports from developing countries have some customs preferences and imports of all products from Kazakhstan (a member of the Customs Union with Russia) are duty free. An 18 percent value added tax is in place on imported cotton, but this tax does not affect cotton imported on a tolling scheme.

Prices

Prices are calculated by dividing the monthly value of imported cotton, not carded, not combed (this cotton constitutes the bulk of imports) and significant monthly differences in prices reflect the fact that Russian traders imported different types and grades from different sources.

Table 5. Prices Table

Prices Table			
Country	Russian Federation		
Commodity	Cotton		
Prices in	US Dollars	per uom	Metric Ton
Year	2004	2005	% Change
Jan	870	800	-8%
Feb	790	800	1%
Mar	890	820	-8%
Apr	960	840	-13%
May	910	790	-13%
Jun	820	870	6%
Jul	890	910	2%
Aug	960	910	-5%
Sep	780	880	13%
Oct	940	880	-6%
Nov	850	880	4%
Dec	820	880	7%

Trade in Cotton Yarn and Cotton Fabrics

Imports of cotton yarn (HS numbers 5205, 5206, 5207) increased from US\$35.8 million in MY 2003 to US\$48.5 million in MY 2004. In the first two months of MY 2005, imports amounted to US\$6.95 million, 8 percent more than during the same period last year. In quantity, these imports decreased from 27,189 metric tons in MY 2003 to 26,809 metric tons in MY 2004. In August – September 2005, 4,994 metric tons of cotton yarn were imported, 6 percent more than in August – September 2004. Imports of cotton yarn continue to increase, as processing of yarn into fabrics provides greater flexibility for textile producers than imports of raw cotton. More than 40 percent of cotton yarn is imported from Uzbekistan. Other big yarn suppliers are Turkmenistan, Azerbaijan, Ukraine, and Tajikistan. In MY 2004, cotton yarn in smaller quantities were imported from more than 20 countries, with the shares from Turkey and China increasing.

Exports of cotton yarn continue to decrease due to increased domestic demand. In MY 2004 exports decreased to US\$4.4 million from US\$6.2 million in MY 2003, and more than US\$21.4 million in MY 2000. Exports decreased from 1,820 metric tons to 1,319 metric tons. In MY 2006, Russia exported 8,283 metric tons of cotton yarn. The tendency is expected to continue in MY 2005.

In MY 2004, imports of woven cotton fabrics decreased in value by more than 5 percent to US\$50.5 million, while the quantity decreased from 98.8 million square meters in MY 2003 to 85.5 million square meters. Turkey, Germany, China, Uzbekistan, Pakistan, Moldova, and Italy were among the main suppliers of these fabrics to Russia, although imports came from more than 70 countries. In the first two months of MY 2005, Russian traders and clothes producers imported 23.94 million square meters of cotton fabrics, an 86-percent increase from the same period last year. The value of imported fabrics also increased. Although the trade data for other months is not available, it is possible to estimate that imports of fabrics in MY 2005 will be much greater than in MY 2004. Restrictions on “border shuttle trade” in consumer goods imposed in late February 2006 will temporarily decrease clothes imports, and may stimulate domestic production of clothes in small factories, and may result in increased legal imports of fabrics.

Fabric exports decreased from 20.2 million square meters (US\$149.9 million) in MY 2003 to 13.8 million square meters (US\$142.8 million) in MY 2004. However, fabric exports during the first two months of MY 2005 exceeded the level of exports in the same period a year ago by 79 percent and reached 22.99 million square meters. This exports reflects the growing international contacts of textile holding companies.

Table 6. Imports of Cotton and Products, Market Years, 1,000 U.S. Dollars

HS	Description	Aug 00 - Jul 01	Aug 01 - Jul 02	Aug 02 - Jul 03	Aug 03 - Jul 04	Aug 04 - Jul 05	Aug-Sep 2005
	52 COTTON, YARN, FABRIC	508,482	286,375	316,976	338,001	366,576	53,942
5201	Cotton, not carded, not combed	410,521	215,497	236,025	241,387	259,971	36,155
5202	Cotton waste and yarn waste	1,717	1,258	2,620	3,685	4,856	1,115
5203	Cotton carded or combed	266	10	180	297	1,283	212
5204	Cotton sewing thread	16,012	12,967	6,443	3,420	1,551	605
5205	Cotton yarn (other than sewing thread), 85 percent or more of weight of cotton	21,029	8,234	14,283	30,493	32,178	6,462
5206	Cotton yarn (other than sewing thread), less than 85 percent of weight of cotton	0,360	1,386	2,181	2,864	2,324	361
5207	Cotton yarn (other than sewing thread), for retail sale	2,798	3,974	3,444	2,473	13,949	125
5208	Woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200g/m2	20,786	15,123	18,493	19,063	17,010	3,362
5209	Woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing more than 200g/m2	24,596	18,371	19,283	20,943	18,584	2,996
5210	Woven fabrics of cotton, containing less than 85 percent by weight of cotton, weighing not more than 200g/m2	5,801	4,032	3,868	3,095	3,281	933
5211	Woven fabrics of cotton, containing less than 85 percent by weight of cotton, weighing more than 200g/m2	3,999	5,038	8,738	9,881	11,035	1,406
5212	Other woven fabrics of cotton	0,599	0,484	1,417	399	553	211

Source: State Customs Committee of the Russian Federation

Table 7. Imports of Cotton and Products, Market Years, Metric Tons and 1,000 Square Meters

			Aug 00 - Jul 01	Aug 01 - Jul 02	Aug 02 - Jul 03	Aug 03 - Jul 04	Aug 04 - Jul 05	Aug-Sep 2005
5201	Cotton, not carded, not combed	Tons	343,666	287,584	304,977	283,742	306,816	40,362
5202	Cotton waste and yarn waste	Tons	4,699	4,749	8,966	8,175	6,670	2,079
5203	Cotton carded or combed	Tons	240	0	241	227	300	73
5204	Cotton sewing thread	Tons	24,929	9,136	2,734	1,823	539	171
5205	Cotton yarn (other than sewing thread), 85 percent or more of weight of cotton	Tons	17,769	6,678	12,489	22,860	23,857	4,634
5206	Cotton yarn (other than sewing thread), less than 85 percent of weight of cotton	Tons	0,193	1,479	1,657	2,162	1,650	306

5207	Cotton yarn (other than sewing thread), for retail sale	Tons	2,505	1,908	3,584	2,167	1,302	54
5208	Woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200g/m2	1000 SQM	60,379	35,229	53,704	60,531	43,824	15,546
5209	Woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing more than 200g/m2	1000 SQM	24,175	23,891	22,294	23,458	22,371	4,354
5210	Woven fabrics of cotton, containing less than 85 percent by weight of cotton, weighing not more than 200g/m2	1000 SQM	5,711	5,741	10,009	14,844	12,796	3,087
5211	Woven fabrics of cotton, containing less than 85 percent by weight of cotton, weighing more than 200g/m2	1000 SQM	0	0	0	0		0
5212	Other woven fabrics of cotton	1000 SQM	2,553	1,096	0	0	1,555	953

Source: State Customs Committee of the Russian Federation

Stocks

There is no official data on stocks of cotton. End of year stocks are estimated to remain at 47,000 – 48,000 metric tons, a level that meets the current needs of the processors. The stable level of stocks is likely, as most processors are in the same holding companies with importers of cotton.

Policy

There have been no recent policy changes that affect the cotton industry. Russia does not enact legislation that aids cotton imports and there are no restrictions on commercial imports. To some extent, cotton imports, and especially cotton yarn and fabrics may be stimulated by the restrictions on tax-free "border shuttle trade" in consumer goods, including clothes.